



**Director of
Central
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SITUATION REPORT

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IRAN

The regime apparently intends to arrest retired Admiral Madani, who was formally expelled yesterday from the Islamic Assembly. [redacted]

Several legislators have called for Madani's detention on charges of conspiring with the US and coup plotting. Press reports indicate that Madani has gone into hiding [redacted]

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Madani, who formerly served Khomeini as Defense Minister and governor of Khuzestan Province, has emerged as the leading opponent of the regime within Iran. His appeal is based on his reputation as a strongman and as the "law and order" candidate in the presidential election in January in which he polled about 15 percent of the vote. Although he supports the Islamic revolution, he has criticized clerical interference in the government. [redacted]

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If Madani can avoid arrest and establish ties with other dissidents, he could provide the leadership the opposition lacks. His power base is narrow, however, because he draws most of his backing from the upper class, the Qashqai, and a few naval officers. [redacted]

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Last month, Madani announced formation of a front group to unite supporters of "the revolution and Islam" in an attempt to broaden his appeal. Madani apparently has avoided contact with opposition leaders in exile, probably because he believes they have little appeal in Iran and are infiltrated by Khomeini's supporters. [redacted]

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[redacted]

BRIEFS AND COMMENTS

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ISRAEL: Prospects for an Early Election

Prime Minister Begin and other coalition leaders appear impressed with the advantages of advancing Israel's national election--due no later than mid-November 1981--to next spring. [redacted]

Begin's control of only 60 out of 120 Knesset seats exposes him to constant political pressure from opportunistic coalition deputies and Knesset independents. Moreover, Begin will run an increasing risk of losing one of several no-confidence motions the Labor Party is certain to submit after the Knesset returns from summer recess in mid-October. [redacted]

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The Prime Minister could avoid these immediate problems by seeking and almost certainly gaining the Knesset majority required for dissolving parliament and calling an early election. The coalition members then would be legally prohibited from resigning from the continuing caretaker government that Begin would head. [redacted]

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[redacted] Deputy Prime Minister Ehrlich, who is close to Begin, and Interior Minister Burg, leader of the National Religious Party--Begin's major coalition ally--have publicly endorsed advancing the election. Ehrlich and Burg do not want to see the government humiliated and their reelection prospects diminished by capitulating to the pressure tactics of wavering Knesset deputies or ultimately by losing a no-confidence vote. [redacted]

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The Israeli leader probably would use the period between dissolution of the Knesset and an early election--which by law must last at least 100 days but in recent practice has taken nearly twice that--to try to put Labor on the defensive. He also would attempt to divert voter attention from the government's inability to curb Israel's spiralling inflation rate, which is likely to run roughly 200 percent in 1981. [redacted]

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[redacted]

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IRAQ-SYRIA: Deteriorating Relations

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Relations between Iraq and Syria are worsening as each increases its support for subversive activities against the other. [redacted]

Political relations have been essentially unchanged since last summer when Iraqi President Saddam Husayn accused Syrian President Assad of conspiring against him. Until recently, both sides have kept meddling in each other's internal affairs to a minimum to avoid divisions that would weaken Arab opposition to the Camp David Accords. [redacted]

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Now, however, relations appear to be drifting back toward the open hostility that existed before the highly publicized rapprochement between Baghdad and Damascus in October 1978. Iraqi media criticism of Syria, which has been building since early last month, has increased sharply since the assassination on 21 July of former Syrian Prime Minister Bitar, an opponent of Assad who had ties to Baghdad. The Syrian press has responded in kind. [redacted]

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Iraq has been aiding a variety of Syrian exile groups opposed to Assad chiefly for propaganda purposes. [redacted]

[redacted] Saddam Husayn, calculating that Assad may well be overthrown within the year, now seems likely to step up his support for the Muslim Brotherhood in Syria. [redacted]

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Saddam Husayn, who has long nursed a grudge against Assad, probably has decided to act now because of growing Syrian support for Iran and for Kurdish and Shia Muslim dissidents in Iraq. Baghdad also is concerned that Assad's consent to greater Syrian-Soviet political cooperation is giving Moscow more influence over regional affairs. [redacted]

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ROMANIA-USSR: Ceausescu-Brezhnev Meeting

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The positive characterization of President Ceausescu's meeting with President Brezhnev on Monday in the Crimea suggests the two now are interested in emphasizing the cooperative, rather than the confrontational, side of their relationship. [redacted]

The Romanian and Soviet media portrayed the talks as "friendly" and marked by "mutual understanding." Although this description was slightly less positive than those given Brezhnev's talks with other Warsaw Pact leaders during the past two weeks, it contrasted sharply with the "frank" characterization of the Ceausescu-Brezhnev meetings in 1978 and 1979. [redacted]

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Bucharest has worked over the past several months to reduce tension with Moscow arising in part from its opposition earlier in the year to the invasion of Afghanistan. The Romanians have been particularly interested in improving economic relations in order to gain greater access to Soviet technology and raw materials. [redacted]

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Even before the meeting, Bucharest had agreed to closer economic cooperation with Moscow and had deemphasized its traditional opposition to economic integration within the Council for Mutual Economic Assistance. During the session in the Crimea, Ceausescu and Brezhnev agreed to "strive for the deepening of integration and cooperation" in bilateral relations and within the framework of CEMA. [redacted]

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As in past years, Brezhnev and Ceausescu apparently dealt with international issues only in general terms. They endorsed detente, disarmament, and the forthcoming meeting in Madrid of the Conference on Security and Cooperation in Europe. They evidently did not discuss their fundamental differences on such issues as Afghanistan, China, and Southeast Asia. [redacted]

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YUGOSLAVIA-USSR: Financial Aid Request

According to the West German Ambassador to Belgrade, Yugoslavia has asked the USSR for \$900 million in balance-of-payments support. Belgrade may be trying to head off Soviet criticism of its requests for large Western loans and at the same time trying to pressure Western nations by playing on fears of a post-Tito turn to Moscow. The USSR would see such a request as an opportunity both to expand ties with Yugoslavia and to reduce the impact of possible major Western assistance to Belgrade. Although the Soviets might offer some assistance, they probably would not provide the full amount.

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SOMALIA: Refugee Situation Critical

[redacted] refugee children
[redacted] in Somalia [redacted] may be in worse
condition than children examined in Kampuchean refugee
camps in Thailand and children caught in the famine in the
Sahel in 1973-74. Malnourishment among the children is
exceptionally bad and it appears likely that many children
among the 750,000 refugees in the camps will die of starva-
tion and disease unless they receive more effective relief.

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Less than one-third of the malnourished children,
primarily the most severe cases, are receiving attention
in the understaffed camps. At present levels the emer-
gency feeding program cannot prevent many of the children
from becoming severely malnourished. Food deliveries
to the camps are irregular because of truck and fuel
shortages and bad scheduling, and distribution within
the camps occasionally breaks down entirely. New ar-
rivals fleeing from the Ogaden and from the drought in
other parts of Ethiopia will make the situation even
worse. [redacted]

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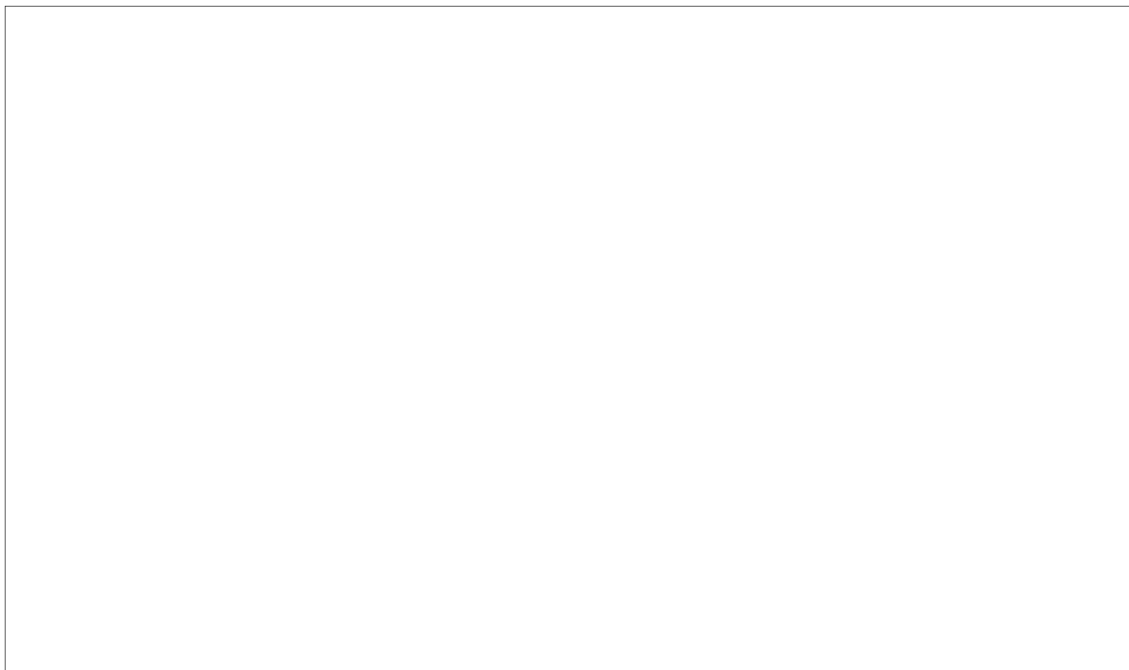
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VENEZUELA-CUBA: Status of Relations

The Venezuelan Government may soon withdraw charges against jailed Cuban exile leader Orlando Bosch, who is awaiting trial for sabotaging a Cubana Airlines flight in October 1976. Venezuelan officials believe that the case against Bosch is weak, and that his release would help President Herrera win support from the influential Cuban exile community in Caracas. Relations between Venezuela and Cuba are at their lowest point since they were reestablished in 1975, and Caracas may have decided it has nothing to lose by taking a step it probably would have to take eventually. 

Cuba warned Venezuela last year that it would break relations if Bosch were acquitted without trial. The Castro regime, however, has severed relations with only one other state--Israel--and may instead increase its propaganda attacks and reduce its official presence in Caracas. Moreover, if Bosch is released, Cuba is likely to attempt to arrange for his capture or assassination. 

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SPECIAL ANALYSIS

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INTERNATIONAL: Oil Price Outlook

Declining demand and high inventory levels will cause the international oil market to soften further over the next several months, perhaps enough to force some lowering of official oil prices.

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Oil inventories remain near record level in most of the major consuming countries. Preliminary data indicate US stocks were at a record 1.4 billion barrels at the end of May, about 25 percent over levels of May 1979. Stocks in Japan and Western Europe also remain very high.

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Only Iran has reduced its official prices thus far. Several other OPEC members cut output during the second quarter rather than reduce prices.

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Spot market prices, meanwhile, have fallen sharply. Prices for high-quality African crudes have dropped \$2.75 per barrel since early July and \$6.50 per barrel since late 1979. Middle East light crudes are trading at about \$5 per barrel below 1979 peaks and about \$1 per barrel below prices in June.

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Saudi Intentions

The course of crude prices over the next several months will depend heavily on Saudi actions. As long as Riyadh maintains production at 9.5 million barrels per day, the present oil glut will continue and the resulting downward pressure on prices probably will force the elimination or reduction of some of the premiums and surcharges imposed by several OPEC members.

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Small reductions in official prices are also possible, although some producers may make further cuts in production rather than reduce prices.

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What the Saudis intend to do on prices is not clear. After the OPEC ministerial meeting in June, Oil Minister Yamani indicated that Saudi prices would not be raised unless Riyadh was convinced the oil companies were profiting excessively from access to low-priced Saudi crude. [REDACTED]

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Most OPEC nations, however, expect the Saudis to move at least part way from \$28 for Arabian light toward the \$32 benchmark price before the next OPEC ministerial meeting in September. Riyadh could use the recent release of second-quarter oil company profits as an excuse for such an increase. [REDACTED]

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Fourth Quarter Outlook

Seasonal factors will boost oil consumption during the fourth quarter of this year, even though the economic slowdown and the impact of higher oil prices will continue to hold oil use below the fourth quarter consumption level of last year. [REDACTED]

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In short, the demand for OPEC oil is likely to rise during the fourth quarter, causing increased upward price pressures, unless oil companies are willing to allow a drawdown in inventories sufficient to satisfy the growth in consumption. [REDACTED]

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